



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

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Date: 19-Nov-1999

GAIN Report #TW9065

Market Brief - Product

Taiwan : Potato Product Brief - 1999

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Taipei ATO [TW2], TW

Potatoes

Executive Summary

1. Total current consumption of fresh potatoes in Taiwan is around 45,000 tons per annum; over the past three years the annual consumption rate has increased by 10% each year;
2. Until 1997, demand was met entirely from local production; however in 1998 imported potatoes accounted for 10% of total demand; this rate of growth is expected to continue with imported potatoes playing an increasingly important role in satisfying the market requirement;
3. Much of the new demand is coming from the fast-food and snack-food industries as well as local-style "steak houses"; International burger franchises usually import frozen potatoes.
4. The bulk of imported potatoes are destined for institutional sales (restaurants, food outlets) rather than normal retail sale;
5. The USA is the dominant supplier of imported potatoes. A small quantity have been imported from Australia.

Table: Summary of Market Conditions	
Market Advantages	Market Challenges
<p>Recent poor weather has generated import demand;</p> <p>Local production is forecast to decrease;</p> <p>Increase demand amongst younger consumers for "yellow" type potatoes;</p> <p>Rapidly growing fast-food market is producing a related demand for potato-based fast and snack foods.</p>	<p>Taiwan's entry to WTO and a relaxation of agricultural imports from China (PRC) may introduce a new element of competition into the market;</p> <p>Increasing competition likely from Australia and New Zealand.</p> <p>Long storage life and strict import controls on potatoes;</p> <p>Potatoes are only permitted to be imported from five US States, Alaska, Oregon, Washington, Idaho & California</p>

Market Access

Tariffs & Taxes

According to the Taiwan Customs Tariff Schedule the importation of potatoes is controlled by the Taiwan Board of Foreign Trade. Importers need to be aware that imports of this vegetable are subject to quarantine inspection. Imports from mainland China are prohibited. Within the distribution chain, a value added (business) tax of 5% is applied. This is a standard tax rate across a wide variety of product and service categories.

Table: Potatoes:- Applicable Tariff			
Tariff Number	Description	Unit	Tariff Rate
0701.10.00	Seed Potatoes	Kg.	15%
0701.90.00	Potatoes (other than seed), fresh or chilled	Kg.	10%

Labeling Standards

According to the Bureau of Animal and Plant Health Inspection & Quarantine (BAPHIQ) there are no special labeling requirements for potatoes. According to importers, sacks are generally labeled with the name and address of the supplier and the net weight of the product.

Other Requirements or Restrictions

Potatoes are an import controlled item. The U.S. has an import restriction of 5,000 tons, and potatoes can only be imported from the following states--Washington, Oregon, Idaho, California and Alaska.

According to information from the Bureau of Animal and Plant Health Inspection & Quarantine, the import of plant and plant product (including potatoes) should be in conformity with the requirements of the *Plant Protection and Quarantine Act* and its *Enforcement Rules* as well as other administrative instructions concerning plant quarantine. An import permit must be obtained from BAPHIQ.

There are no special phytosanitary requirements for this vegetable beyond those listed on the quarantine forms.

Generally, quarantine inspections are completed within two days except where there is a necessity for further identification or disinfection of the product. U.S. suppliers should check with the U.S. Animal Plant Health Inspection Service for the latest phytosanitary requirements. As Taiwan is in the process of introducing more stringent regulations regarding the acceptable limits for agricultural chemicals found on imported vegetables, they should also ensure that their importers check with BAPHIQ for any changes to the regulations.

Trends in Consumption

Total consumption of fresh potatoes amounted to 45,000 tons in 1998. Consumption of potatoes has increased by 34% over the past three years. Until 1997, demand was met almost entirely from local production. In 1998, however imports accounted for 10% of total demand. There is expected to be a strong growth in market demand for imported potatoes over the next three to four years. The primary reasons behind the strong growth in the market has been the increase in demand from younger consumers whose dietary intake of potatoes and products with potato as a main ingredient has increased as a result of increased exposure to western influences.

The bulk of this new demand is coming from the fast food and snack food industries rather than from consumption of potatoes with meals¹. The exception to this rule is the popularity of steakhouses in Taiwan where potatoes are considered to be a standard side dish. According to industry sources the bulk of imported potatoes are destined for the institutional market at both the high-end (hotels) and low-end (steak-house chain restaurants).

¹ In Chinese meals, the sweet potato is used extensively but not the western style potato.

On the basis of the production and import data, the estimated market size is estimated as follows:

Table: Estimated Market Size (Metric Tons)				
Year	1995	1996	1997	1998
Production	33,531	38,598	52,486	39,163
Imports	548	40	112	4,661
Total Consumption	34,079	38,638	52,598	45,822

Industry sources estimate market segmentation as follows:

Table: Potatoes - Estimates of End-Use (Approximate Percentage)			
Sector	Domestic	Imports	Total
Retail Sale	43%	2%	45%
Institutional Sale (Incl. Restaurants)	23%	8%	31%
Industrial - Snack Foods	23%	0%	23%
Industrial - Other (flour)	1%	0	1%

Note: Any undisposed or spoiled surplus crop is sold to the animal feed industry for hog production but this is not a regular part of the supply chain.

Trade & Competition

Until 1998, import of potatoes into Taiwan was insignificant. There was a rapid surge in imports in 1998 and, it is expected that imports will play an increasingly large role in satisfying total demand.

The USA is the dominant supplier of imported potatoes. A small quantity has been imported from Australia.

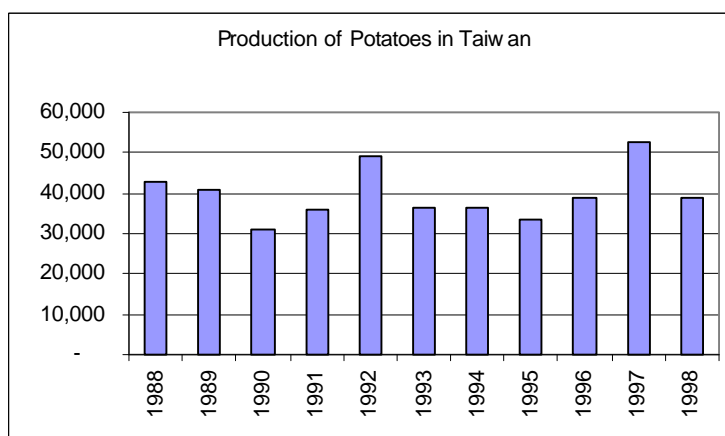
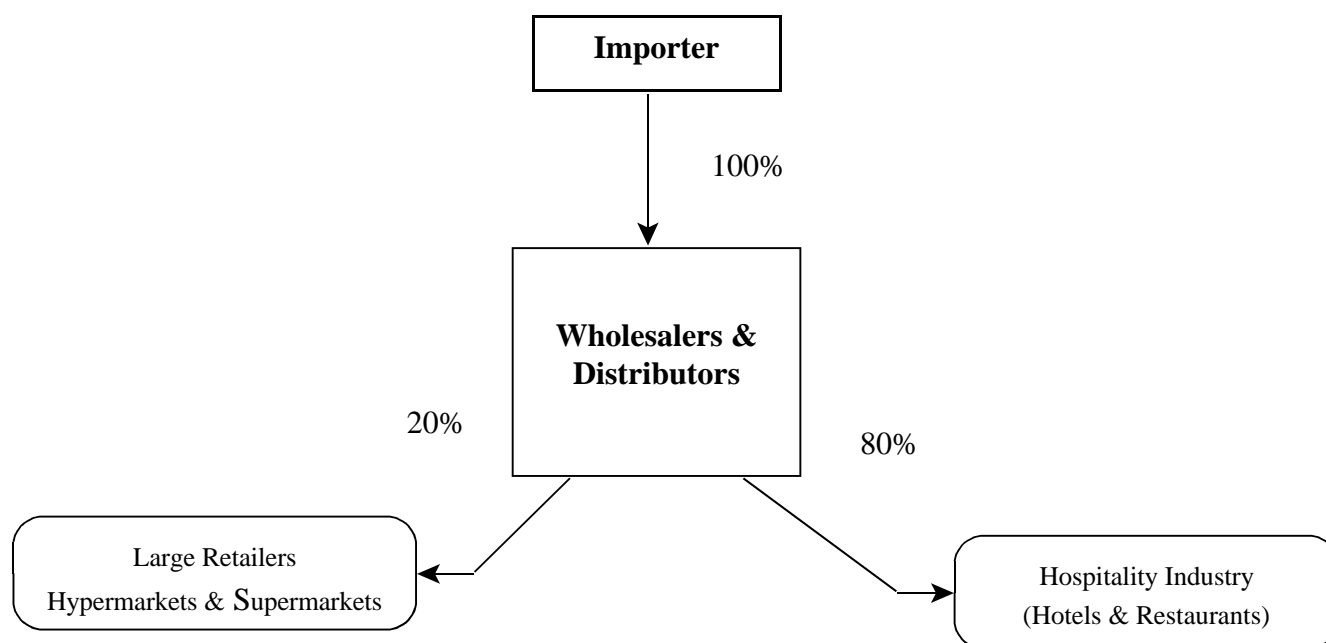


Table: Potatoes - Major Suppliers by Value (USD)				
Country	1995	1996	1997	1998
	Value	Value	Value	Value
	USD	USD	USD	USD
Total	\$141,563	\$14,500	\$38,469	\$1,590,188
USA	\$141,563	\$14,500	\$38,469	\$1,497,094
Australia	-	-	-	\$11,125
USA share of imports	100.0%	100.0%	100.0%	100.0%

Distribution Channels



Packaging

There are no specific packaging requirements for the import of potatoes, however the following points should be noted:

1. Because of the low profit margins within the industry, fresh vegetables are usually shipped by sea.
2. If a container has multiple products inside, the exporter should ensure that at least one box of each product is located at the entrance to the container for ease of customs and quarantine inspection. All packaged goods are to have five (5) sides sealed with the sixth able to be opened for inspection.
3. Importers generally require that netting be placed over the handles of the boxes on vegetable products and over any other holes on the outer packaging larger than 1.6cm. This is to prevent goods falling out.
4. Imported potatoes are generally packaged in 50lb boxes (80%) or 100lb sacks (20%).

Tips for Exporters

1. As long as all documentation is clearly and correctly filled out and sanitary requirements have been completed according to Taiwan regulations, importers report that the import process for vegetable products is relatively smooth and efficient. Generally it takes 2-3 days to clear customs and quarantine.
2. Prior to leaving the country of origin all packaged vegetable goods are to be sealed with numbered adhesive tape, which is not to be removed or broken until customs and quarantine officials inspect the shipment.
3. All shipping documentation including the Bill of Lading and Phytosanitary Certificate must list the container number and adhesive tape number.
4. The Phytosanitary Certificate should be sent to the importer prior to arrival of the shipment in Taiwan and, for precautionary reasons, prior to leaving the country of origin if possible.
5. Should a shipment fail quarantine inspection, the shipment in question is required to be fumigated. As this may cause a delay of several days, the shipment is often destroyed because of the adverse effect the delay has on product quality.

Treatment Requirements for Fresh/Chilled Vegetables			
Treatment	Fumigation	Refrigeration	
	<u>Exposure (Hour)</u>	<u>Temp. (F)</u>	<u>Period (day)</u>
Fumigation plus Refrigeration, Methyl Bromide 32 g/m3 at 21 degrees Celsius (69.8 degrees Fahrenheit) or above, chamber load not to exceed 80% of volume.	2	33-37	4
		38-47	11
	2.5	38-40	4
		41-47	6
		48-56	10
	3	43-47	3
		48-56	6

List of Key Importers

Company Name : Agronew Trading Co. Ltd
 Address : 432 Chung Chen Rd, Fengyuan City, Taichung Hsien
 Telephone : (04) 526-8533
 Facsimile : (04) 524-2689
 Capital (NT\$) : 11,000,000

Company Name : Jeu E. Co. Ltd
 Address : 1F, 7, Alley 27, Lane 423, Ming Sheng West Rd, Taipei City
 Telephone : (02) 2553-4546
 Facsimile : (02) 2553-7001
 Capital (NT\$) : 5,000,000

Company Name : Lian Hwa Foods Corporation
Address : 148 Ti Hwa Street, Section 1, Taipei City
Telephone : (02) 2553-4546
Facsimile : (02) 2553-7001
Capital (NT\$) : 968,760,000

Company Name : World Partner Trading Co. Ltd
Address : 3F, 21, Lane 149, Lin Kou Street, Taipei City
Telephone : (02) 2726-5843
Facsimile : (02) 2726-7945